# Taking Stock: American Safeguard Tariffs on Foreign Solar Panel Manufacturers

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*By IndraStra Global Editorial Team*

*Image Attribute: Solar Panels by Skeeze via Pixbay.com / CC0 Creative Commons*

U.S. President Donald Trump has imposed 30 percent tariffs *(so-called safeguard tariffs)* on solar panels made outside the United States. He has also imposed at a minimum of 20 percent and a maximum of 50 percent tariff on residential washing machines. Trump's current approach to trade was signaled late last year when the U.S. **levied a staggering 292 percent tariff** on C Series aircraft built by Bombardier Inc. In the past, he has been suggesting to scrap the North American Free Trade Agreement (NAFTA) deal. By putting up the tariffs, the Trump administration seems to be hopeful of making it easier for American companies (involved in domestic manufacturing) to compete with foreign manufacturers.

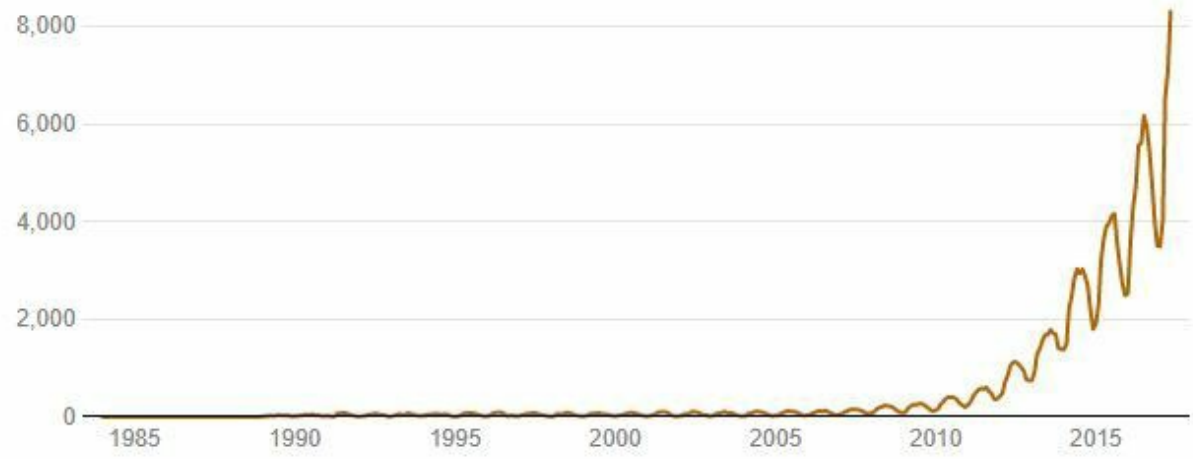
This was the final step of a process that began when two U.S. subsidiaries of foreign solar panel makers filed a rarely used kind of **trade complaint** with the U.S. International Trade Commission. Trump largely followed the course of action the independent U.S. agency had **recommended** to protect domestic manufacturers from unfair competition.

Earlier in the year 2012 and 2014, the Obama administration, imposed tariffs on Chinese solar industry, higher than the one just announced by Trump. The only difference is that while Obama's tariffs were China-specific, while the Trump's one applies to all foreign manufacturers and exporters.

In June 2013, Karel De Gucht, the ex-European commissioner for Trade (February 2010 - October 2014), had **imposed punitive tariffs** on imports of solar panels from China. The case was the biggest anti-dumping case ever handled by the European Commission. Later in September 2017, the EU rejig the minimum import duties for Chinese solar modules and cells and priced them up to 30 percent above market levels. The prices are getting cut every three months, first was on Oct 1,2 017 and the final one will be on July 1, 2018.

## The Current Situation of U.S. Solar Industry

The U.S. solar industry generated **US$154 billion in economic activity** in 2016, including direct sales, wages, salaries, benefits, taxes and fees. Its revenues have grown from $42 million in 2007 to **$210 million** in 2017.




*Energy encompasses residential, commercial and utility-scale solar systems and is measured in millions of kilowatt hours.*

*The Conversation, CC-BY-ND*

Source: U.S. Energy Information Administration

*Chart Attribute: U.S. solar energy growth: the volume of electricity generated by solar energy has grown dramatically since 2010 / Source: EIA.gov and The Conversation*

About 25 percent of total new power plant capacity installed in 2017 came from solar. Total installed U.S. solar capacity is over 50 gigawatts – the equivalent generating capacity of 50 commercial nuclear reactors.

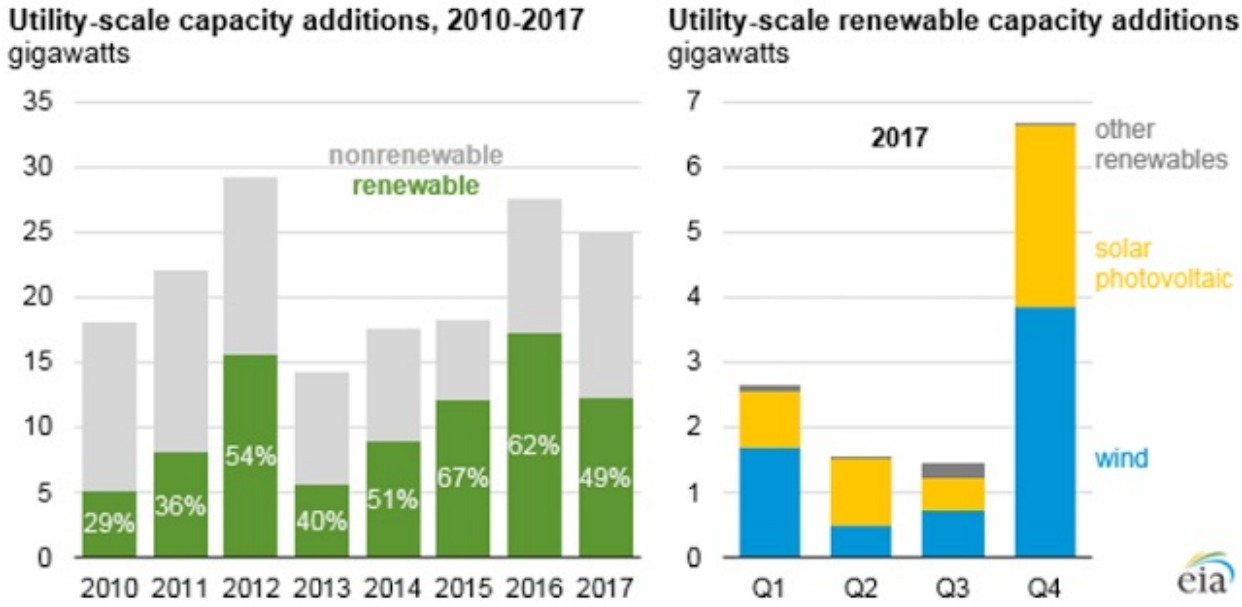
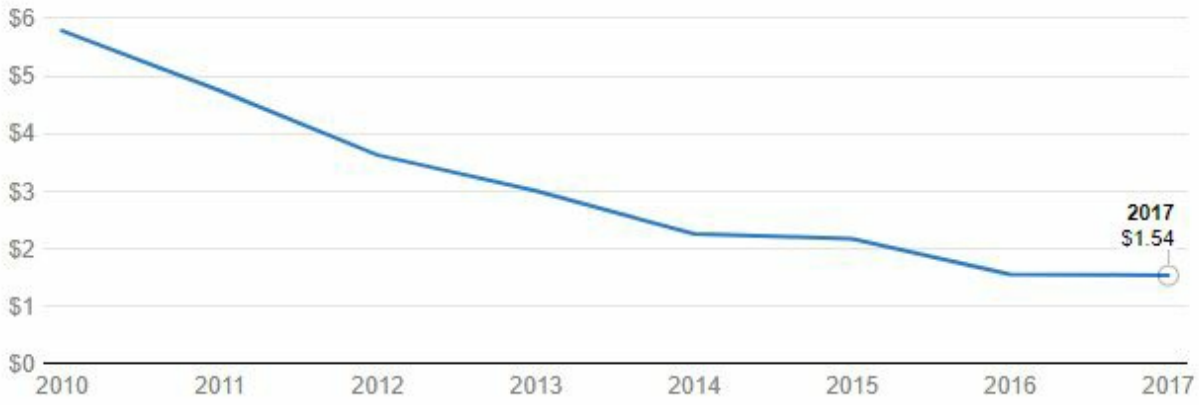



*Chart Attribute: Nearly half of utility-scale capacity installed in 2017 came from renewables, and about half of that was solar. / Source: EIA.gov*

Till now, The Solar Investment Tax Credit (ITC) has provided industry stability and growth since its initial passage in 2006. In the last decade, solar has experienced an average annual growth rate of 68%.

Solar ITC is currently a 30 percent federal tax credit claimed against the tax liability of residential (Section 25D) and commercial and utility (Section 48) investors in solar energy property. The Section 25D residential ITC allows the homeowner to apply the credit to his/her personal income taxes. This credit is used when homeowners purchase solar systems outright and have them installed on their homes. In the case of the Section 48 credit, the business that installs, develops and/or finances the project claims the credit.




*Prices are in $ per watt and the 2017 figure is as of June 30. SEIA changed its methodology in 2014, switching from using the reported price to the modeled price to more accurately reflect market conditions. Utility-scale pricing represents a 50/50 blend of fixed-tilt pricing and single-axis tracker. All prices are capacity-weighted.*

*The Conversation, CC-BY-ND*

Source: Solar Energy Industries Association

*Chart Attribute: The average price to install a residential, commercial or utility-scale solar system fell sharply between 2010 and June 2017, dropping from $ 5.79 per watt to $1.54 per watt. / Source: EIA.gov*

Solar is projected to continue to grow for the foreseeable future. However, recent events such as the solar trade tariff and tax code changes could dampen that trend. According to one estimate, the tariff alone will reduce solar installations by **11 percent from 2018 through 2022**.

*"Essentially, this has a meaningful but not destructive impact on solar installations, and at the same time it's not exceptionally encouraging for domestic solar cell and module manufacturing,"* **said** MJ Shiao, Head of Americas research for GTM Research.*"Some people look at it as a win-win; some people look at it as a lose-lose."*

The Trump administration's solar tariff will be more challenging for utility-scale solar projects than for residential, because the modules account for a larger share of the total cost of large projects. A 30-percent tariff will likely increase the costs of solar installations by **about 11 cents per watt,** or roughly 10 percent, which could reduce the amount of solar installed over the next 4 years by five to eight gigawatts of capacity, **mostly at the utility scale**.

## The China Factor

China's edge in solar panel manufacturing – apart from low wages – is driven by scale and supply-chain development, spurred by cost inducements like low-interest loans, technology development assistance and cheap land. Other newly industrialized countries like South Korea and Taiwan have followed China's lead by fostering their own solar manufacturing bases with targeted subsidies.

As for solar panels are concerned, China exported about $1.5 billion worth of them to the United States in 2016, a huge increase from the $188.9 million worth in 2007, according to the Census Bureau.

A trade war with China would have myriad unintended consequences – higher consumer prices, off-shored jobs, an increased trade deficit with China, and Chinese retaliation prime among them. It would also threaten the economic growth and bull market that Trump inherited, but claims credit for. But, **according** to Joshua D. Rhodes, an Energy Research Fellow at University of Texas (Austin) - *"The biggest challenge for U.S. solar companies – particularly installers – is uncertainty. Congress recently tried unsuccessfully to cancel tax credits for installing new solar capacity, and the tax cut bill that was enacted in December includes some changes that may affect credits for investing in solar. Companies need certainty to create value and jobs – and for solar and other renewable energy sources, certainty is in short supply at the moment."*

**Conclusion**

In short, the Americans are inviting payback by foreign governments, all because of the bailing petitions filed by the bankrupt companies. This could result in the cancellation/delaying of orders for Boeing aircraft or Illinois soybeans by China. South Korea has already **challenged the tariffs** before the World Trade Organization (WTO), which could authorize retaliatory tariffs against the U.S. In our today's globalized world *(which is mainly created by U.S only)*, every country and its government *(as a trading partner)* have the same or less/same or more protectionist weaponaries in their inventory like everyone else and the same political pressures to use them. But only time will tell wether a tit-for-tat actions will be taken in the form retaliatory tariffs or the status quo remain maintained through direct negotiations or via WTO.

*With reporting by U.S. International Trade Commission (ITC), U.S. Energy Information Administration (EIA), CBC Canada, The Conversation, Forbes, Reuters, and The Straits Times*

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